USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/2/2006

GAIN Report Number: SY6002

Syria

Grain and Feed

Annual Report

2006

Approved by:
Asif J. Chaudhry
Cairo

Prepared by:
Fred Giles and Jaber Dalati

Report Highlights:
The 2005 wheat crop in Syria is estimated to be a good crop in spite of the drought in the spring of 2005. The barley crop was affected by the drought and is estimated at approximately 750,000 MT. Corn imports are in general increasing due to increased demand for feed, the developing glucose and starch industry, and the increase in barley prices. Egypt is the major supplier of rice.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Damascus [SY1]
[SY]

Table of Contents

Executive Summary

Wheat production continues to be in excess of the local requirement for food and for seeding the next crop. Drought has less effect on production, as approximately 40 percent of the planted area is irrigated. Stocks are high and provide more than a year's requirement. Barley production is affected by the drought, but private sector imports make up the shortfall. Corn is the most important feed commodity, and demand for it is increasing. The United States is the major supplier for corn. Rice is not produced in Syria, and all requirements are met through imports. Traders substitute Egyptian rice for rice from other origins due to its quality, competitive price and lower freight costs.

Wheat

PSD Table Syria Wheat							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	1700	1700	1700	1700	0	1700	(1000 HA)
Beginning Stocks	5212	4860	5152	4900	5252	5100	(1000 MT)
Production	4300	4300	4700	4700	0	4500	(1000 MT)
TOTAL Mkt. Yr. Imports	200	200	200	200	0	200	(1000 MT)
Jul-Jun Imports	200	200	200	200	0	200	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	9712	9360	10052	9800	5252	9800	(1000 MT)
TOTAL Mkt. Yr. Exports	700	600	700	600	0	600	(1000 MT)
Jul-Jun Exports	700	600	700	600	0	600	(1000 MT)
Feed Dom. Consumption	300	300	300	300	0	300	(1000 MT)
TOTAL Dom. Consumption	3860	3860	4100	4100	0	4350	(1000 MT)
Ending Stocks	5152	4900	5252	5100	0	4850	(1000 MT)
TOTAL DISTRIBUTION	9712	9360	10052	9800	0	9800	(1000 MT)

Wheat production was strong due to sufficient rainfall in production areas during the growing season. The General Establishment for Cereal Processing and Trade (HOBOOB) estimates the crop at 4.7 million MT. Harvested areas were reported by the Ministry of Agriculture and Agrarian Reform at 1.7 million hectares. HOBOOB bought 3.1 million MT from farmers, 5 percent below purchases from the previous crop. For the 2006/2007 crop, rains through January 2005 were below average in general. The final crop size will be determined not by the planted areas, but by the rainfall that will enable the grains to fill up in March - May and by the weather conditions that will prevail during the latter part of the growing season. Based on similar rainfall patterns, post estimates 4.7 million MT for crop year 2006/2007.

Consumption

Wheat is mainly used for milling into flour for bread production. Smaller quantities are used for bulgur production, and poor quality wheat is used for animal feeding. Approximately 250,000 MT of wheat are expected to be used for planting next season's crop. Bread consumption is increasing at about three percent, in line with Syria's population growth. Available milling capacity greatly exceeds the milling requirement for the country.

Trade

Export Trade Matrix* Syria Wheat			
Time Period	**CY**	**Units**	**1000 MT**
Exports for	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Egypt	246	Egypt	190
Algeria	114	Iraq	20
Jordan	79	Italy	37
Yemen	32	Jordan	175
Lebanon	64	Yemen	30
Total for Others	**535**		**452**
Others not Listed	**69**		**148**
Grand Total	**604**		**600**

Import Trade Matrix Syria Wheat			
Time Period	**CY**	**Units**	**1000 MT**
Imports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Iraq	98	Russia	50
Ukraine	14	Ukraine	50
Russia	19	Turkey	50
Bulgaria	10		
Total for Others	**141**		**150**
Others not Listed	**0**		**50**
Grand Total	**141**		**200**

*Trade data are published on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis.

Syria exports wheat to North Africa and other Arab and European countries. Syria contracts with Egypt to barter wheat for Egyptian rice as well as other commodities. HOBOOB exports are expected to be close to 600,000 MT in 2005/2006. As a result of a dust explosion in a silo that damaged the Lakkatia Port in December 2005, all exports must depart from the Port of Tartous. The government of Syria has contracted to export 100,000 MT to Jordan and 300,000 MT to Egypt in 2006.

On the other hand, the private sector imports some quantities of wheat, usually from Turkey, and East Europe due to the relatively cheaper wheat prices as compared to local wheat prices. Syria also imports limited quantities of flour, mainly from Turkey. Syrian foreign trade statistics reported exports of 25,000 MT of wheat flour during 2004 to Iraq. Trade data for 2005 are not yet available. Wheat flour is exported by the private sector.

According to trade sources, no wheat was imported from the United States in 2004 and 2005. This was due to Eastern European and Turkish wheat being cheaper, and the freight costs being much lower.

Stocks

Wheat stocks are mainly kept by HOBOOB which currently holds stocks (as a national reserve) exceeding 4 million metric tons, more than Syria's annual milling requirement. statements from high-level officials confirm this stock level. The private sector maintains some stocks for its use and for seeding the next crop. A stock level of one-year consumption requirement will be maintained in the future to eliminate the need for imports in case of a bad crop year. Stocks kept by HOBOOB are stored in concrete silos, metal silos, as well as in open storage facilities.

Policy

The decision to reduce stocks has not been fully implemented due to price factors. HOBOOB exports wheat at international prices, about 30 percent below the price HOBOOB is paying farmers.

Customs duties on wheat imports are set at one percent. An import permit from the Ministry of Economy and Trade is required. This is obtained after the approval of the Ministry of Agriculture and Agrarian Reform. Syria will continue to rely on local wheat production and export any surplus after ensuring a national reserve of one year. Permitting imports of wheat and flour for further processing is expected to continue in the future. Syria plans to expand its concrete silo storage capacity by about 1 million metric tons during the coming five years. The GOS expects that these silos will be utilized to replace storage of wheat in jute bags in open storage facilities and will reduce damage to the stored grain from insects, rodents, and fungi. Concrete silos are owned and managed by the General Company for Silos, under the Ministry of Economy and Trade and are mainly used for storing wheat. The private sector has been permitted to establish silos. These silos will be used mainly for storing imported grains, mainly corn, barley, and soybeans.

Marketing

Syria is self-sufficient in wheat production. Wheat and wheat flour imports by the private sector will be limited to relatively small quantities for pasta or for milling. Most of the imports come from close-by sources due to relatively cheap prices and low freight cost.

Barley

PSD Table Syria Barley (1000 MT)						
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2004		07/2005		07/2006
Area Harvested	1000	1000	900	900	0	1000
Beginning Stocks	187	187	387	243	187	293
Production	900	900	750	700	0	700
TOTAL Mkt. Yr. Imports	700	700	500	800	0	800
Oct-Sep Imports	500	500	500	800	0	800
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1787	1787	1637	1743	187	1793
TOTAL Mkt. Yr. Exports	50	194	50	0	0	0
Oct-Sep Exports	50	194	50	0	0	0
Feed Dom. Consumption	1100	1100	1150	1200	0	1300
TOTAL Dom. Consumption	1350	1350	1400	1450	0	1550
Ending Stocks	387	243	187	293	0	243
TOTAL DISTRIBUTION	1787	1787	1637	1743	0	1793

Barley production is 97-99 percent rainfed. The 2005 barley crop is estimated at approximately 750,000 metric tons. Planted area was reported at 1.3 million hectares. However, the drought that hit the crop in spring of 2005 reduced the harvested area to approximately one million hectares. The remainder was grazed by sheep. The governmental entities did not purchase any barley from the local crop in 2005, due to the relatively small crop.

Consumption

Barley is mainly used to feed ruminant animals, including sheep and cattle. It can also be used on a very limited scale in the feed ration for poultry layers. In Syria, most barley is used for feeding sheep. The demand fluctuates from year to year depending on the availability of grass for sheep grazing. Demand increases during drought periods and during the winter months due to the lack of grass at that time. Syria normally requires about 1.3 – 1.4 million tons of barley per year for feed use and for planting next year’s crop.

Trade

Import Trade Matrix Syria Barley			
Time Period	**CY**	**Units**	**1000 MT**
Imports for	**2004**		**2005**
U.S.	0	U.S.	0
Others		Others	
Iraq	281	Iraq	200
Ukraine	279	Ukraine	300
Bulgaria	53	Turkey	200
Total for Others	**613**		**700**
Others not Listed	**12**		**100**
Grand Total	**625**		**800**

Export Trade Matrix Syria Barley			
Time Period	**CY**	**Units**	**1000 MT**
Exports for	**2004**		**2005**
U.S.	0	U.S.	0
Others		Others	
Jordan	194		
Total for Others	**194**		**0**
Others not Listed	**0**		
Grand Total	**194**		**0**

The private sector imported large quantities of barley in 2005, mainly from Iraq and Eastern Europe due to lower prices in the international market as compared to the local barley that HOBOOB was buying for 7,000 Syrian pounds (USD 136) per metric ton. During 2004, the public sector in Syria exported barley that had been previously contracted for with Jordan. At the same time, the private sector imported large quantities of barley from Iraq. Imports of barley are estimated to be larger in 2005 due to the relatively small local crop.

Customs duties on barley imports are set at one percent. An import permit from the Ministry of Economy and Trade is required, which can be obtained after receiving approval from the Ministry of Agriculture and Agrarian Reform.

Stocks

HOBOOB used to keep strategic stocks sufficient for the winter months when there is no grass to feed sheep. Beginning in 2005, the General Organization for Fodder (GOF) was granted responsibility for maintaining stocks. Trade sources have reported sales of about 81,000 MT of Ukrainian and Russian barley to the public sector GOF to make up for the quantities that used to be purchased in the past from the local crop.

Marketing

Syrian importers rely on Iraq and Eastern European sources for barley, mainly Ukraine, Russia, and Turkey. This is mainly due to the cheap price as well as low freight cost for small quantities (about 5,000 MT per shipment) from such origins. Price considerations and freight cost have prevented Syrian importers from importing barley from the United States.

Corn

PSD Table Syria Corn							
	2004	**Revised**	**2005**	**Estimate**	**2006**	**Forecast**	**UOM**
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	50	50	50	50	0	50	(1000 HA)
Beginning Stocks	65	260	319	260	244	285	(1000 MT)
Production	125	0	125	125	0	125	(1000 MT)
TOTAL Mkt. Yr. Imports	1579	1500	1300	1500	0	1600	(1000 MT)
Oct-Sep Imports	1650	1500	1300	1500	0	1600	(1000 MT)
Oct-Sep Import U.S.	1288	1100	1100	1100	0	1200	(1000 MT)
TOTAL SUPPLY	1769	1760	1744	1885	244	2010	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	1200	1150	1250	1250	0	1350	(1000 MT)
TOTAL Dom. Consumption	1450	1500	1500	1600	0	1700	(1000 MT)
Ending Stocks	319	260	244	285	0	310	(1000 MT)
TOTAL DISTRIBUTION	1769	1760	1744	1885	0	2010	(1000 MT)

Corn production is stable and is estimated at 125,000 MT, produced from 50,000 hectares in 2005/2006. Most of the planted corn is hybrid short-season corn planted after wheat in irrigated areas. Locally produced corn has high moisture content, sometimes approaching 30 percent. It has to be dehydrated to bring the moisture content down to 14 percent before the corn can be stored. The procurement price for 14 percent moisture corn is set at 7,000 Syrian pounds (USD 135) per MT, above the current international corn prices. This is very much below the local price of imported corn that is selling now for about 8,500 Syrian pounds (USD 162) per metric ton. GOF purchased relatively small quantities of corn (30,000 MT) from the local crop in 2005/2006. The 2006/2007 crop is forecast at 125,000 MT.

Consumption

A small portion of the local crop is for human consumption and is sold as "corn on the cob". Corn is also used for the production of starch or sown as seed. Most corn, however, is used for animal feed, in particular for poultry. Poultry production is increasing in general. However, it fluctuates from season to season due to the lack of proper slaughter, cooling, packaging, and storage facilities. In late 2005, the threat of avian influenza in the area badly affected poultry and egg consumption. As a result, prices dropped to a level about half the cost of production. This forced many poultry producers, especially broiler producers, to go out of production and hence affected the demand for feed, in particular corn, which constitutes about 60 percent of the feed ration. In general, consumption of corn is increasing in Syria, which requires over one million metric tons per year for the poultry sector. The starch and glucose industry requires an additional quantity of 350,000 – 400,000 MT per year.

Demand for corn should reach a record level due to the high prices for barley, which is selling in the local market for nearly 10 percent over the price of imported corn. This will lead farmers to shift a portion of the feed consumption from barley to corn. Low rainfall through January 2006 and increased exports of sheep to Saudi Arabia and other Gulf countries will create more demand for corn in the long run.

Trade

Import Trade Matrix Syria Corn			
Time Period	**CY**	**Units:**	**1000 MT**
Imports for	**2004**		**2005**
U.S.	725	U.S.	1000
Others		Others	
Argentina	127	Argentina	200
Total for Others	**127**		**200**
Others not Listed	**4**		**100**
Grand Total	**856**		**1300**

According to trade sources, imports were a record, exceeding 1.3 million metric tons during the MY 2004/2005. The United States, Argentina, and to some extent Eastern Europe are the main sources. With competitive corn prices in the United States, Syrian traders prefer to buy corn from the United States, who is forecast to supply about 80 percent of the imported corn to Syria. Corn imports are forecast to remain high and continue to grow, due to limited water resources that hinder expansion in domestic production. Imports in MY 2006/2007 may increase further to exceed 1.4 million MT due to the development of the feed milling industry in Syria and the possibility of exporting pelleted feed to Iraq. The dust explosion at the Lattakia port silos is not expected to affect corn imports from the United States. U.S. ships, which are usually large, use port at Tartous because of its size. However, the congestion at the port may increase the cost of the imported corn since ships now wait for about 15 days to begin unloading.

Customs duties on corn imports are set at one percent. An import permit from the Ministry of Economy and Trade is required. This is obtained after the approval of the Ministry of Agriculture and Agrarian Reform.

Stocks

The public sector keeps relatively small quantities of corn for its use in public sector poultry and dairy farms. However, the private trade usually keeps quantities for two months for feed and as a raw material for the starch and glucose industry. A stock level of 200,000 - 300,000 MT would be sufficient to provide for the consumption requirement of about two months.

Rice

PSD Table Syria Rice, Milled							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	100	100	100	137	100	147	(1000 MT)
Milled Production	0	0	0	0	0	0	(1000 MT)
Rough Production	0	0	0	0	0	0	(1000 MT)
MILLING RATE (.9999)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	250	237	250	220		220	(1000 MT)
Jan-Dec Imports	250	237	250	220		220	(1000 MT)
Jan-Dec Import U.S.	0	1	0	1		1	(1000 MT)
TOTAL SUPPLY	350	337	350	357	100	367	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	250	200	250	210		220	(1000 MT)
Ending Stocks	100	137	100	147	0	147	(1000 MT)
TOTAL DISTRIBUTION	350	337	350	357	0	367	(1000 MT)

Production

Rice is not produced in Syria. All of the country's requirements are met through imports.

Consumption

In Syria, rice consumption is estimated to be increasing due to the increase in population and the rural-to-urban migration, which encourages the consumer to shift from bulgur to rice. However, increasing rice consumption is affected by the low purchasing power of the average Syrian. Each Syrian is entitled to 0.75 kilogram of rice per month at 10 SP (19 cents) per kilogram under the GOS ration card system.

Trade

Import Trade Matrix Syria Rice, Milled			
Time Period	CY	Units	1000 MT
Imports for:	**2004**		**2005**
U.S.	1	U.S.	1
Others		Others	
Egypt	201	Egypt	180
Thailand	8	Thailand	10
Australia	3	Australia	3
Spain	6	Spain	5
Total for Others	**218**		**198**
Others not Listed	**18**		**21**
Grand Total	**237**		**220**

Since Syria does not plan to produce rice in the future, all rice requirements must be imported. The 2004 Syrian Foreign Trade Statistics reported rice imports at 237,477 MT. Egyptian rice constituted 85 percent of imports. Syria barters wheat for Egyptian rice. Syrian traders estimate imports in 2004 to be much more than the local demand, leading to an increase in ending stocks. Trade sources believe a 220,000 MT import level to be reasonable in 2005 and 2006. Egypt will be the major source with small quantities coming from Thailand, Australia, Italy, Spain, and the United States. Trade sources reported imports of about 1,000 MT of rice from the United States in 2005.

Marketing

Syrian consumers generally prefer medium grain rice from the United States, Australia, Italy, and Egypt to long grain rice from Thailand. However, the limited purchasing power of the average Syrian influences his decision to seek out cheaper sources of rice. As a result, higher quality rice, such as parboiled rice, has a very limited market in Syria.

In 1997 and 2001, the private sector imported large quantities of rice (over 20,000 MT per year) from the United States, when prices were competitive. With rice prices more attractive from other origins, mainly Egypt whose rice is similar in characteristics to the American medium grain rice, the Syrian importer chooses Egyptian suppliers. Another reason for the choice of Egyptian rice is the low freight cost and the ability to ship very small quantities, nearly 40-100 MT of rice per shipment, in a very short time, and at a much cheaper cost than from other origins. Egyptian rice also displaced Thai rice due to the freight cost difference.